MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

DFA5028 – FINANCIAL ACCOUNTING 2

(For Diploma Students Only)

07 MARCH 2018
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **7** pages with **4** questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Triple A Enterprise is a merchandise company that distributes ladies' apparels to retail stores in Johor Bharu. At the end of March 2017, Triple A's inventory consisted of 1,200 pieces of clothing at cost of RM30,000.

During the month of April 2017 the following merchandising transactions occurred:

April 4 Purchased blouses on account from Terra Company RM25,000. Terms 3/10, n/EOM, FOB shipping point.

6 Paid freight charges of RM300 on 4 April purchase.

8 Returned one quarter of the defective blouses purchased on 4 April from Terra Company.

10 Sold blouses to Femina Boutique for cash RM1,100, FOB destination. The cost of merchandise is RM650. The appropriate party also made cash payment of RM180 for freight charges on this date.

13 Paid the amount owed to Terra Company in full.

14 Sold skirts to Bella Company RM9,500, terms n/45, FOB shipping point. The cost of merchandise is RM5,000.

17 Received defective skirts from Bella Company RM 500 and the cost is RM275.

18 Purchased shirts of RM3,600 on account from Fashion Outlet, terms 2/10, n/30, FOB destination.

19 Granted cash refund of RM180 to Femina Boutique for wrongly send different size of blouses.

26 Paid amount owed to Fashion Outlet in full.

28 Received cash payment in full from Bella Company.

29 Purchased long pants and scarfs from Sandra Company for cash RM8,300, FOB shipping point. Freight charges of RM270 was paid to shipping company on the same date.

Instructions:

(a) Journalize the above transactions using the perpetual inventory system. (18 Marks)

(b) Prepare the T-account for merchandise inventory. (7 Marks)

[TOTAL 25 MARKS]

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QUESTION 2

Medina has run a small business, Mawar Enterprise but she has never kept proper accounting records. She only recorded her business transactions by using single entry method and she did not realise that she had to record cash drawings.

The following is a summary of Medina's bank account for the year 2016:

Bank

	(RM)		(RM)
Balance b/f	1,500	Account payable	58,000
Account receivable	82,000	Advertising expense	2,300
Loan from Azman	10,000	Miscellaneous expenses	900
		Rent	3,500
		Cash withdrawn from bank	15,500
		Drawings	8,800
		Balance c/f	4,500
	93,500		93,500

Besides that, she also provided the following information related to cash transactions by Mawar Enterprise:

i) Cash Payment:

Account payable RM2,800

Miscellaneous expense RM250

ii) Cash receipt:

Cash sales RM3,450

Mawar Enterprise's assets and liabilities are as follows:

	31 December 2015 (RM)	31 December 2016 (RM)
Cash in hand	550	375
Account receivable	10,600	13,800
Account payable	4,900	6,100
Accrued advertising	1,200	3,000
Prepaid rent	900	1,500
Office furniture (book value)	12,500	11,000
Inventory	25,800	28,200

Continued...

Instructions:

(a) Prepare the Statement of Affairs as at 31 December 2015 (5 Marks)

(b) Prepare ledger for the cash account. (3.5 Marks)

(c) Prepare ledger for the account payable and account receivable. (4.5 Marks)

(d) Prepare the Statement of Comprehensive Income for the year ended 31 December 2016. (5 Marks)

(e) Prepare the Statement of Financial Position as at 31 December 2016. (7 Marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

On January 1, 2016, Naza Enterprise had Accounts Receivable RM139,000, Notes Receivable RM25,000 and Allowance for Doubtful Accounts RM13,200. The Notes Receivable is from Beego Enterprise. It is a 4-month, 12% note dated 31 December 2015. Naza Enterprise prepares financial statements annually. During the year, the following transactions occurred.

Jan 5 Sold RM20,000 of merchandise to Danny Company, terms n/15.

20 Accepted Danny Company's RM 20,000, 3-month, 9% note for balance due.

Feb 18 Sold RM8,000 of merchandise to Billy Enterprise and accepted Billy's RM8,000, 6-month, 9% note for the amount due.

Apr 20 Collected Danny Company note in full.

30 Received payment in full from Beego Enterprise on the amount due.

May 25 Accepted Harry Company's RM 4,000, 3-month, 7% note in settlement of a past-due balance on account.

Aug 18 Received payment in full from Billy Enterprise on note due.

25 Harry Company. note was dishonoured. Harry Company is not bankrupt; future payment is anticipated.

Sept 1 Sold RM12,000 of merchandise to Jamie Company and accepted a RM12,000, 6-month, 10% note for the amount due.

Instruction:

Journalize the above transactions. (11 Marks)

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Part B

a) Provide **TWO (2)** differences between direct write-off method and allowance method. (4 Marks)

b) Give **TWO (2)** reasons why companies sell their account receivables? (1 Mark)

Part C

Prepare the journal entries to record the following transactions for Green i-Tech Company, which its accounting period ended on 31 December each year. Green i-Tech Company uses the straight-line method of depreciation. Show all your workings.

a) On 30 September 2017, the company exchanged old delivery equipment and paid RM36,000 for new delivery equipment. The old delivery equipment was purchased on 1 January 2015, for RM126,000 and was estimated to have a RM18,000 salvage value at the end of its 5-year life. Depreciation on the delivery equipment has been recorded through 31 December 2016. It is estimated that the fair value of the old delivery equipment is RM54,000 on 30 September 2017. (5 Marks)

(b) On 30 June 2017, the company exchanged old office equipment and paid RM40,000 for new office equipment. The old office equipment originally cost RM80,000 and had accumulated depreciation to the date of disposal of RM35,000. It is estimated that the fair market value of the old office equipment on 30 June was RM60,000. The transaction has commercial substance. (4 Marks)

[TOTAL 25 MARKS]

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QUESTION 4

Part A

Presented below is comparative Statement of Financial Position for Golden Company.

GOLDEN COMPANY

Comparative Statement of Financial Position as at 31 December

	2016 (RM)	2015 RM
Non-current Assets:		
Motor Vehicle	110,000	78,000
- Accumulated depreciation – motor vehicle	(22,000)	(15,000)
	88,000	63,000
Long-term investments	0	35,000
	88,000	98,000
Current Assets:		
Cash	34,000	11,000
Account receivable	22,000	15,500
Inventory	19,800	12,600
Prepaid Insurance	4,500	7,000
	80,300	46,100
Total Assets	168,300	144,100
Long Term Liability:		
Bond payable	36,500	44,500
Current Liability:		
Account payable	27,500	12,000
Total Liabilities	64,000	56,500
Stockholders' Equity:		
Common stock	80,000	65,000
Retained earnings	24,300	22,600
Total Liabilities & Stockholders' Equity	168,300	144,100

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Additional information:

1. Net income for the year ending 31 December 2016 was RM31,700.
2. Cash dividends of RM30,000 were declared and paid during the year.
3. Long-term investments that had a cost of RM35,000 were sold for RM26,000.
4. Sales for the year 2016 were RM148,000.

Instruction:

Prepare a Statement of Cash Flows for the year ended 31 December 2016, using the indirect method. (10 Marks)

Part B

The Statement of Comprehensive Income of Ruby Rubber Company for the year ended 31 December 2016 reported the following condensed information:

Sales revenue	RM 520,000
Operating expenses	(300,000)
Income from operations	220,000
Income tax expense	(35,000)
Net income	185,000

Ruby Rubber's Statement of Financial Position contained the following comparative data at 31 December:

	2016 (RM)	2015 (RM)
Accounts receivable	68,000	39,000
Accounts payable	55,000	62,000
Income taxes payable	8,000	6,600

Ruby Rubber has no depreciable assets. Accounts payable pertains to operating expenses.

Instruction:

Prepare the operating activities section of the Statement of Cash Flows using the direct method. (5 Marks)

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Part C

a) Assets can be classified into current assets, non-current assets, investments, intangible assets and natural resources.

Briefly explain the natural resources and its characteristics. (3 Marks)

b) Briefly explain the **THREE (3)** factors that need to be considered to compute depreciation. (3 Marks)

c) Identify any **TWO (2)** differences between capital expenditure and revenue expenditure. (4 Marks)

[TOTAL 25 MARKS]

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